



CRS Report for Congress

European Union Enlargement

Kristin Archick and Julie Kim
Foreign Affairs, Defense, and Trade Division

Summary

The European Union (EU) views the enlargement process as a historic opportunity to promote stability and prosperity in Europe. On January 1, 2007, Bulgaria and Romania joined the EU, enlarging the Union to 27 countries. The EU's previous enlargement in May 2004 brought in Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, and Slovenia. In 2005, the EU agreed to open accession negotiations with Turkey and Croatia, and named Macedonia as an official EU candidate; in December 2006, the EU partially suspended talks with Turkey over ongoing disputes over Cyprus. Although the EU maintains that the enlargement door remains open, "enlargement fatigue" has become a serious issue in Europe and some experts believe that EU enlargement may be reaching its limits. The status of EU enlargement is one of many transatlantic issues likely to be of interest to the second session of the 110th Congress. This report will be updated as necessary. See also CRS Report RS21372, *The European Union: Questions and Answers*, by Kristin Archick.

Background on the European Union

After World War II, leaders in western Europe and the United States were anxious to secure long-term peace and stability on the European continent and create a favorable environment for economic growth and recovery. In 1952, six states — Belgium, the Federal Republic of Germany, France, Italy, Luxembourg, and the Netherlands — established the European Coal and Steel Community, a single market in these two industrial sectors that was controlled by an independent supranational authority. In 1957, the Treaty of Rome established the European Economic Community, extending the common market to all economic sectors, and the European Atomic Energy Community to ensure the use of nuclear energy for peaceful purposes. In 1967, these three formations collectively became known as the European Community (EC).

The EC first added new members in 1973, with the entry of the United Kingdom, Ireland, and Denmark. Greece joined in 1981, followed by Spain and Portugal in 1986. The Single European Act modified the EC Treaties in 1987 by increasing the powers of the European Parliament and enabling the 1992 single market program to move forward. At the beginning of 1993, the near completion of the single market brought about the mostly free movement of goods, services, capital, and people within the EC.

On November 1, 1993, the Treaty on European Union (Maastricht Treaty) went into effect, establishing the European Union (EU), which encompasses the EC. The European Union consists of three pillars: an expanded and strengthened EC, a common foreign and security policy, and common internal security measures. The Treaty contains provisions that have resulted in the creation of an economic and monetary union (EMU), including a common European currency.¹ The European Union is intended as a significant step on the path toward greater political and economic integration.

On January 1, 1995, Austria, Finland, and Sweden joined the EU, bringing membership to 15 states. In June 1997, EU leaders met to review the Maastricht Treaty and consider the future course of European integration. The resulting Amsterdam Treaty increased the legislative power of the European Parliament, strengthened the EU's foreign policy, developed a more coherent EU strategy to boost employment, and integrated procedures for managing internal security.

In December 2000, EU leaders concluded the Nice Treaty to pave the way for further EU enlargement, although it set a limit of 27 member states. The Nice Treaty also set out internal, institutional reforms to allow an enlarged Union to function effectively. Critics argued, however, that the Nice Treaty established an even more complex decision-making process. Thus, the EU embarked on a new reform effort.

In June 2004, EU leaders concluded work on a constitutional treaty that would have simplified EU voting rules and contained further changes to the EU's governing institutions. Commonly referred to as the "constitution," it had to be ratified by all member states through either parliamentary approval or public

EU Institutions

The European Union is a treaty-based, institutional framework that defines and manages economic and political cooperation among its 27 member states. It is governed by several institutions.

The *European Commission* is essentially the EU's executive and has the exclusive right of legislative initiative. It ensures that the provisions of the Treaties are carried out properly. The 27 Commissioners are appointed by agreement among the governments of the member states for five-year terms. Each Commissioner holds a distinct portfolio (e.g., agriculture).

The *Council of the European Union (Council of Ministers)* is comprised of ministers from the national governments. As the main decision-making body, it enacts legislation based on proposals put forward by the Commission. Different ministers participate depending on the subject under consideration (e.g., economics ministers could convene to discuss unemployment policy). The Presidency rotates among the member states for a period of six months.

The *European Council* brings together the Heads of State or Government of the member states and the President of the Commission at least twice a year. It acts principally as a guide and driving force for EU policy.

The *European Parliament* consists of 785 members. Since 1979, they have been directly elected in each member state for five-year terms. The Parliament cannot enact laws like national parliaments, but has some "co-decision" power with the Council of Ministers and can amend or reject the EU's budget.

The *Court of Justice* interprets EU law and its rulings are binding; a *Court of Auditors* monitors the Union's financial management. A number of other advisory bodies represent economic, social, and regional interests.

¹ Eleven members — Austria, Belgium, Finland, France, Ireland, Italy, Germany, Luxembourg, the Netherlands, Spain, and Portugal — adopted a single European currency, the euro, on January 1, 1999. Greece joined in 2001, Slovenia in 2007, and Cyprus and Malta in 2008. The 15 participating countries have a common central bank and a common monetary policy. Banks and many businesses began using the euro as a unit of account in 1999; euro notes and coins replaced national currencies on January 1, 2002.

referendums in order to come into effect. The constitution's future was thrown into doubt following its rejection by French and Dutch voters in the spring of 2005. Some suggested that the difficulties with ratifying the constitution called into question further expansion of the EU, given that considerable public opposition to the constitution was tied to concerns about EU enlargement. In June 2007, EU leaders agreed on the outlines of a new reform treaty to essentially replace the proposed constitution. EU officials have sought to portray the new reform treaty as a document that would amend, rather than supplant, existing EU treaties, and thus as a document that can be ratified by parliaments in most EU member states. Experts say the reform treaty preserves over 90% of the substance of the original constitution, and should remove at least the technical obstacles to further EU enlargement beyond 27 member states. EU leaders approved the final text of the new treaty in October 2007, signed the resulting Lisbon Treaty in December 2007, and hope it will be ratified and enter into force before the next European Parliament elections in the spring of 2009.²

Process of Enlargement

The EU views enlargement as a historic opportunity to help in the transformation of the countries involved, extending peace, stability, prosperity, democracy, human rights and the rule of law throughout Europe. The carefully managed process of enlargement is one of the EU's most powerful policy tools that has helped to transform the countries of Central and Eastern Europe into more modern, functioning democracies.

Under Article 49 of the Treaty on the European Union, any European country may apply for membership if it meets a set of established political and economic criteria. In addition, the EU must be able to absorb new members, so the EU can decide when it is ready to accept a new member. The criteria for EU membership require candidates to achieve "stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities; a functioning market economy, as well as the capacity to cope with competitive pressure and market forces within the Union; the ability to take on the obligations of membership, including adherence to the aims of political, economic and monetary union."³

Accession talks begin with a screening process to see to what extent applicants meet the EU's 80,000 pages of rules and regulations known as the *acquis communautaire*. The *acquis* is divided into 35 chapters that range from free movement of goods to agriculture to competition. Detailed negotiations at a ministerial level take place to establish the terms under which applicants will meet and implement the rules in each chapter. The European Commission proposes common negotiating positions for the EU on each chapter, which must be approved unanimously by the Council of Ministers. In all areas of the *acquis*, the candidate country must bring its institutions, management capacity and administrative and judicial systems up to EU standards, both at national and regional levels. During negotiations, applicants may request transition periods for complying with certain EU rules. All candidates receive financial assistance from the EU, mainly to aid in the accession process. Chapters of the *acquis* can only be opened and closed with the

² For more information, see CRS Report RS21618, *The European Union's Reform Process: The Lisbon Treaty*, by Kristin Archick.

³ Conclusions of the European Council, Copenhagen, Denmark, June 1993.

approval of all 27 member states. Periodically, the Commission issues “progress” reports to the Council and European Parliament assessing the progress achieved by the candidate country. Once the Commission concludes negotiations on all 35 chapters with an applicant, the agreements reached are incorporated in a draft accession treaty, which is submitted to the Council for approval and to the European Parliament for assent. After signature, the accession treaty must be ratified by each EU member and the candidate country; this process can take two years.

The EU began accession negotiations in March 1998 with Cyprus, the Czech Republic, Estonia, Hungary, Poland, and Slovenia. In December 1999, at its summit in Helsinki, Finland, the EU decided to open negotiations with six others: Bulgaria, Latvia, Lithuania, Malta, Romania, and Slovakia. Turkey was also formally recognized as a candidate at Helsinki but remained in a separate category for several years as it sought to comply fully with the membership criteria (see below). At its December 2002 summit in Copenhagen, Denmark the EU concluded accession talks with Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, and Slovenia. The accession treaty was signed with these ten states on April 16, 2003, and they acceded to the EU on May 1, 2004.

Although Brussels would have preferred a prior political solution to the conflict over Cyprus, it stated that this was not a “precondition” for the divided island’s accession. Moreover, Athens had threatened to block any enlargement that excluded Cyprus. Twin referendums on a U.N. plan to reunify the island were held on April 24, 2004. Approximately 65% of Turkish Cypriot voters in the north approved the plan, but 76% of Greek Cypriot voters in the south rejected it. Without a settlement, EU laws and financial benefits are applied only to the southern Greek Cypriot part of the island, which is the internationally recognized state.⁴

In December 2004, the EU concluded accession negotiations with Bulgaria and Romania, and on January 1, 2007, these two nations formally joined the EU, bringing the Union to 27 member states and completing the fifth enlargement since 1957. The addition of these two nations stretches the borders of the Union to the Black Sea and increases the population of the EU to over 490 million. Some restrictions in specific trade sectors and labor market access remain in place for both countries, as do further oversight mechanisms with respect to judicial reforms and combating corruption. Little progress in these problem areas has prompted calls for ongoing monitoring in both countries.

Turkey and the Western Balkans

Turkey and the European Community first concluded an association agreement aimed at developing closer economic ties in 1963, but Turkey’s 1987 application for full EC membership was rejected. The EU recognized Turkey formally as a candidate at the 1999 Helsinki summit but asserted that Turkey still needed to comply fully with the EU’s political and economic criteria. After some contentious debate among EU members over issues related to Turkey’s lack of formal recognition of Cyprus and whether a “privileged partnership” short of full membership for Turkey should be retained as a future option,

⁴ For more information, see CRS Report RL33497, *Cyprus: Status of U.N. Negotiations and Related Issues*, by Carol Migdalovitz.

the EU opened accession talks with Turkey on October 3, 2005. The EU maintains that the “shared objective of the negotiations is accession,” but that it will be an “open-ended process, the outcome of which cannot be guaranteed beforehand.”

Formal negotiations between the EU and Turkey on the *acquis* began in 2006; talks are expected to last at least a decade. Meanwhile, Turkey’s continued failure to recognize Cyprus and its refusal to open its ports and airports to Greek Cyprus as required by Turkey’s customs union with the EU threatened early on to derail the accession process. As a compromise interim settlement, the EU decided in December 2006 to partially freeze accession talks with Turkey in eight chapters dealing with areas affecting the customs union; talks were allowed to continue in the other 27 chapters. Some negotiations with Turkey resumed in 2007, but France under new President Nicolas Sarkozy blocked opening talks on the sensitive monetary union chapter. In its November 2007 annual progress report on Turkey, the European Commission asserted that Turkey continues to make progress on its political reforms, but more work is needed, especially in areas related to fundamental freedoms. Although the Commission expected membership talks to continue in 2008, it is clear that some EU members and many EU citizens remain wary about Turkey’s possible accession given its large size, relatively poor economy, and Muslim culture.⁵

In June 2004, the EU named Croatia as a candidate and opened accession talks with that country on October 3, 2005, following a determination that Croatia was cooperating fully with the International Criminal Tribunal for the former Yugoslavia (ICTY). Macedonia was given candidate status in December 2005, but has not yet secured a start date for accession negotiations. The remaining western Balkan states of Albania, Bosnia, Serbia, Montenegro, and the region of Kosovo are all recognized as potential EU candidates, although their accession prospects vary and are expected to take several years.

Prospects for Future Rounds of EU Enlargement

The EU maintains that the enlargement door remains open to any European country that is able to meet the political and economic criteria for membership. The EU hopes that the possibility of membership will help accelerate reform and promote greater stability in those countries interested in eventually joining the EU. Ukraine and Georgia, for example, have expressed long-term EU aspirations.

On the other hand, “enlargement fatigue” in the wake of the addition of 12 new members in two years has become a serious issue in Europe and some experts believe that enlargement may be reaching its limits. In November 2006, the European Commission released a Strategy on Enlargement. The Strategy called for the EU to continue enlargement but to take into account the Union’s “integration capacity,” which refers both to applying rigorous conditionality with respect to candidate countries and to completing institutional reforms and financing arrangements to sustain the EU’s ability to function. The Strategy also called for the EU to honor its current commitments with prospective members but to remain “cautious” about assuming any new commitments. Moreover,

⁵“France Blocks Economic Chapter in EU-Turkey Talks,” *Europolitics*, June 26, 2007. For more information, see CRS Report RL34039, *Turkey’s 2007 Elections: Crisis of Identity and Power*, by Carol Migdalovitz.

under the accession structure, membership talks with any candidate country whose accession could have substantial financial consequences on the Union as a whole, as Turkey or Ukraine would have, can only be concluded after 2014, the scheduled date for the beginning of the EU's next budget framework.⁶

Although the new Lisbon Treaty, if ratified, would eliminate the technical hurdle to enlarging beyond 27 members, analysts note that some newly elected European leaders and many EU citizens are cautious about further enlargement. For the general public in Europe, apprehensions about EU enlargement seem to be driven by several concerns. One is that the addition of nations with weak economies, low incomes, and high unemployment could wreak havoc with their own economies or prompt the influx of unwanted migrant labor. A second issue is the belief that some of the newest members have been admitted with less mature democratic institutions or glaring deficiencies in meeting EU standards. Another concern is with the overall identity of Europe and what the Union stands for; the Union's struggle with these issues has been highlighted by the possible admission of Turkey, a large Muslim state with a culture considered by many Europeans to be vastly different and not compatible with Europe.

U.S. Perspectives

Successive U.S. Administrations and many Members of Congress have supported EU enlargement, believing that it serves U.S. interests by spreading stability and economic benefits throughout the continent. Over the years, a key criticism has been that the process of EU enlargement was moving too slowly. U.S. businesses believe they will gain access to a larger, more integrated European market, and see enlargement as forcing further reform of the EU's regulatory policies. Some analysts posit that enlargement may also decrease overall U.S.-EU tensions because many new members are more pro-American, especially those from the former communist eastern Europe. The Bush Administration welcomed the EU's enlargement in 2004, asserting that it would help strengthen the "enduring partnership" between the United States and Europe.

Some U.S. officials are concerned that European public worries about EU enlargement, as expressed in the debate over the former EU constitution, could hinder additional EU expansion, especially to Turkey and perhaps the Balkans. Others argue that EU enlargement could have some negative implications for U.S. interests. Some suggest, for instance, that political instability in a number of central and eastern European countries may further complicate the EU's ability to be a more cohesive actor on the world stage if frequently changing governments shift policy positions. On the other hand, others worry that a larger, more confident EU — with an economic output roughly equivalent to that of the United States and growing political clout — may increasingly rival U.S. power and prestige.

⁶ The Enlargement Strategy is available at the European Commission's website: [<http://ec.europa.eu/enlargement>]; also see "The Process of Joining the EU" on the Commission's website.